

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00 SP-02

AID-05 EB-07 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04

OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00

XMB-02 OPIC-03 LAB-04 SIL-01 L-03 H-02 DODE-00 PA-01

PRS-01 /079 W

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O 202205Z AUG 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC IMMEDIATE 6401

C O N F I D E N T I A L SECTION 1 OF 2 LIMA 6804

E.O. 11652: GDS

TAGS: EINV, EGEN, EMIN, PFOR, PE, US

SUBJECT: MARCONA NATIONALIZATION - MARCONA OFFICIAL REMAINS
IN LIMA TO CONTINUE DISCUSSIONS

REFS: A) LIMA 6754, B) LIMA 6739, C) LIMA 6765

1. FOLLOWING MY CONVERSATION WITH FOREIGN MINISTER DE LA FLOR
THE EVENING OF AUGUST 19 (BEING REPORTED SEPTTEL) AND AFTER
CONSULTATION WITH FURTH AND COMPTON AT THE RESIDENCE THE SAME
EVENING, MARCONA OFFICIALS DECIDED THAT COMPTON WILL REMAIN IN
LIMA TO MAINTAIN CONTACT WITH GOP.

2. AMBASSADOR DE LA PUENTE AND I HAD FURTHER LENGTHY CON-
VERSATIONS AT RESIDENCE LAST NIGHT. DE LA PUENTE NOTED THAT
IT IS VIRTUALLY IMPOSSIBLE TO CHANGE DECREE LAW 21228 AND
CITED THE DOMESTIC POLITICAL SITUATION AS THE FUNDAMENTAL REASON
WHY THE LAW IS IMMUTABLE. HOWEVER, HE WENT ON TO NOTE,
SIGNIFICANTLY, THAT THERE IS MORE OPPOSITION TO ART. 8
OF D.L. THAN WE ARE AWARE OF. HE ALSO SAID THAT GOP
HAS PRESSURE ON IT FROM DOMESTIC LEFTISTS, NOT TO MENTION
THE UPCOMING NAC CONFERENCE. DE LA PUENTE URGED THAT
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MARCONA CONTINUE CONVERSATIONS AND NOTED THAT ONE POSSIBLE FORMULA FOR

COMPENSATION WOULD BE A SHIPPING CONTRACT TO BE PAID OUT OVER SEVERAL YEARS. HE REPEATEDLY STRESSED THAT THERE ARE WAYS TO WORK OUT DIFFERENCES, A LA BRANIFF AND THE GREENE AGREEMENT.

3. I TOLD DE LA PUENTE THAT IN ALL CANDOR ART. 8 OF D.L. 21228 AND D.L. 21221, DEALING WITH APPRAISAL METHODS FOR EXPROPRIATED PROPERTY, WERE IN EFFECT A RED FLAG TO MY GOVERNMENT. I EMPHASIZED THAT THE PRECEDENT THIS ACTION HAS SET IS A VERY SERIOUS ONE. THE GOP HAS, IN ESSENCE, DECIDED TO CONFISCATE A MULTINATIONAL COMPANY'S PROPERTY BECAUSE IT IS A MULTINATIONAL AND IT HAS THEREFORE BEEN CONDEMNED AS IMMORAL. I NOTED THAT THE POSSIBLE LOSS OF REVENUE TO THE GOP (EST. \$9 MILLION IN FOREIGN EXCHANGE AND \$7 MILLION IN OPERATING COSTS PER MONTH) OVER A FEW MONTHS' PERIOD WOULD PROBABLY AMOUNT TO A SUM WHICH WOULD EXCEED WHAT MARCONA WOULD HAVE BEEN WILLING TO ACCEPT AS COMPENSATION

DE LA PUENTE CLOSED THE CONVERSATION BY URGING MARCONA OFFICIALS TO STAY AND DISCUSS MATTERS. HE ALSO MENTIONED THAT A GREEK SHIPPING LINE IS INTERESTED IN PICKING UP SHIPPING CONTACTS FOR HIERROPERU ORE.

4. FOLLOWING MY CONVERSATION WITH DE LA PUENTE, AND AFTER FURTH AND STEBBINGS HAD DEPARTED FOR THE AIRPORT, DE LA PUENTE AND COMPTON HUDDLED FOR OVER ONE HOUR AT THE RESIDENCE. COMPTON TOLD DE LA PUENTE THAT MARCONA IS WILLING TO NEGOTIATE, BUT ONLY ON THE CONDITION THAT COMPENSATION FOR ALL ASSETS BE INCLUDED IN ANY SETTLEMENT. COMPTON ALSO TOLD DE LA PUENTE THAT MARCONA WILL BE COMPENSATED ONE WAY OR THE OTHER. COMPTON ALSO SAID THAT MARCONA WOULD HAVE TO REACH A SETTLEMENT WITHIN A MAXIMUM OF 15 DAYS.

DE LA PUENTE EMPHASIZED TO COMPTON THAT HE AND MOST OF THE GOP TEAM (BUT NOT INCLUDING DASSO) SEEK

A MEANS TO ADEQUATELY COMPENSATE MARCONA AND THAT THE SAN NICOLAS PROPERTY WOULD
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NOT REPEAT NOT BE EXCLUDED FROM THE DISCUSSIONS. BOTH MEN AGREED THAT IT WOULD BE MORE FRUITFUL IF COMPTON MET IN A ONE ON ONE SITUATION WITH THE GOP. DE LA PUENTE AGREED AND SAID THAT HE WOULD ARRANGE A MEETING FOR COMPTON WITH DR. CESAR DELGADO BARRETO, CHIEF LEGAL ADVISER TO THE MINISTER OF ENERGY AND MINES, FOR TODAY, AUGUST 20. COMPTON TOLD US THAT HE BELIEVES THAT DELGADO CAN SPEAK DIRECTLY FOR MINES MINISTER FERNANDEZ MALDONADO AND

THOROUGHLY UNDERSTANDS THE MINING BUSINESS. WHILE NOT EXPRESSING OPTIMISM, COMPTON SAID THAT HE THOUGHT THERE IS A POSSIBILITY THAT HE AND DELGADO MIGHT DISCUSS A REALISTIC SETTLEMENT, IF THE GOP FINALLY INTENDS TO TALK TURKEY. COMPTON, HOWEVER, SAID THAT A PAY-OUT ON SHIPPING ALONE IS UNACCEPTABLE, SINCE THE COMPANY WOULD HAVE NO GUARANTEE THAT THE CONTRACTS WOULD NOT BE CHANGED UNILATERALLY AT ANY TIME.

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C O N F I D E N T I A L SECTION 2 OF 2 LIMA 6804

5. COMMENT: THE HIGH LEVEL OF CONCERN EXPRESSED TO US OVER THE BREAKDOWN OF MARCONA-GOP TALKS INDICATES THAT THE GOP REALLY DOES NOT SEEK A DIRECT CONFRONTATION WITH US, AT LEAST NOT AT THIS TIME. THIS IS NOT ONLY BECAUSE OF INTERNATIONAL COMMITMENTS, BUT ALSO BECAUSE OF THE LOCAL DOMESTIC POLITICAL SITUATION. ON THE ONE HAND, THEY HAVE PROJECTS OF GREAT MAGNITUDE AND COST WHICH REQUIRE MASSIVE OUTSIDE FINANCING OVER THE NEXT SEVERAL YEARS, AS WELL AS ONGOING REQUIREMENTS FOR CREDIT TO FINANCE THEIR GOVERNMENT DEFICIT AND EXTERNAL PUBLIC DEBT. FURTHER, THEY HAVE A TOUCHY DOMESTIC SITUATION WITH A LEFTIST ANTI-U.S. (AND CONVERSELY PRO-SOVIET) BIAS UNDER SERIOUS QUESTION IN SOME GOP QUARTERS. IN PARTICULAR, THE NAVY AND THE AIR FORCE, AND SOME OF THE ARMY, ARE

BEGINNING TO ASK QUESTIONS ABOUT THE DIRECTION OF
THE REVOLUTION.

6. ON THE OTHER HAND, THEY HAVE THE LEFT TO GRAPPLE WITH
AND THEIR OWN BUILT-IN ANTI-IMPERIALISTIC THIRD WORLD,
ULTRA-NATIONALIST MYSTIQUE TO UPHOLD. THEY ALSO HAVE
PRESIDENT VELASCO TO CONTEND WITH, AN IMPETUOUS, UNPREDICTABLE
AND WILY "CAUDILLO" WHO COUCHES SOCIAL RESENTMENT
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IN TERMS OF THE REVOLUTON'S IDEOLOGY TO SLASH OUT AT
HIS ENEMIES - THE OLIGARCHY AND IMPERIALISM; I.E.,
THE U.S. FINALLY, THEY HAVE THE PRESIDENT'S SEEMINGLY QUIXOTIC
DECISIONS TO EXPLAIN AWAY AND TO (IN MANY CASES) LIVE
WITH.

7. TO THIS MUST BE ADDED THE FACTOR OF INTRAGOVERNMENTAL
COORDINATION, OR LACK THEREOF, AND THE SELF-PROTECTIVE
RELUCTANCE OF GOP OFFICIALS TO OFFER COMPROMISE SOLUTIONS
FOR FEAR OF EVENTUALLY BEING ACCUSED OF SELLING OUT THE
PATRIMONY. THEREFORE, IT APPEARS THEY WANT TO RESOLVE
THE MARCONA PROBLEM BUT DO NOT KNOW EXACTLY HOW TO DO
IT WITHOUT LOSING FACE OR RETREATING. THUS, THEY CALL
"NEGOTIATIONS" "CONSULTATIONS" IN WHAT MAY BE A SEARCH FOR
A FORMULA TO CIRCUMVENT ART. 8 OF THE EXPROPRIATION
DECREE.

8. SUBSEQUENT TO DRAFTING THE FOREGOING, COMPTON
WAS INVITED BY DE LA PUENTE TO HAVE LUNCH TODAY
WITH DE LA PUENTE, BROUSSET AND DELGADO. COMPTON PLANS
TO EMPHASIZE TWO POINTS: A) THAT DASSO (WHOM DE LA PUENTE
CHARACTERIZED AS A "RADICAL" PARTIALLY RESPONSIBLE FOR ART. 8) HAS
MISLEAD THE "MODERATES" AND THAT THE LATTER SHOULD WORK TO ISOLATE
DASSO AND HIS VIEWS; B) THAT MARCONA'S ORIGINAL PROPOSAL TO RECEIVE
COMPENSATION IN THE FORM OF PELLETS STILL STANDS AND WOULD BE BEST
MEANS
FOR BOTH SIDES TO RESOLVE THEIR DIFFERENCES AT THE LEAST COST.
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